



## Indonesia Tax Info January 2021

### Tax relief for activities related to handling COVID-19 further extended

In April 2020, the Minister of Finance (MoF) issued Regulation Number 28/PMK.03/2020 (PMK-28) to provide tax reliefs for businesses and activities that contribute to the fight against COVID-19 (Please refer to [Tax Alert April 2020 – 3<sup>rd</sup> edition](#)). PMK-28 was replaced by MoF Regulation Number 143/PMK.03/2020 (PMK-143) in October 2020 to update some of the facilities as well as to extend the facility period through 31 December 2020. A range of other reliefs for COVID-19 related activities were provided in Regulation Number 29 (PP-29) issued in June 2020 and also extended by PMK-143 through 31 December 2020.

In the view that the pandemic has not subsided and the reliefs are still necessary, the MoF issued Regulation Number 239/PMK.03/2020 (PMK-239) on 30 December 2020. PMK-239 comes into effect from 1 January 2021. It extends facilities originally introduced via PMK-28 through 31 December 2021, and facilities originally introduced via PP-29 through 30 June 2021.

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## Facilities originally provided in PMK-28 as replaced by PMK-143

PMK-239 extends the reliefs originally provided in PMK-28 (as replaced by PMK-143) through 31 December 2021. In general, the reliefs provided under PMK-239 are similar to those under PMK-143 but there are a number of key changes, including:

- Supporting equipment used in vaccination programs (some examples include syringes, alcohol swabs, and personal protective equipment) and services related to the vaccination program are eligible for the VAT and Article 22 income tax facilities;
- PMK-239 abolishes VAT and Article 22 income tax facilities on the importation of raw materials by companies in the pharmaceutical industry for the production of vaccines and other COVID-19 medicines (as these now are covered by another regulation);
- Under PMK-143, pharmaceutical companies were required to obtain a recommendation letter from the National Disaster Management Agency (*Badan Penanggulangan Bencana Nasional*) to benefit from the reliefs. Under PMK-239, the authority body issuing the recommendation letter is the Ministry of Health (MoH) and the letter issued by the MoH is valid through 31 December 2021; and
- VAT facilities under PMK-239 cover the fiscal period from 1 January to 31 December 2021. Article 22 and Article 23 income tax facilities under PMK-239 apply as from the date of issuance of the tax exemption letter through 31 December 2021.

*PMK-239 extends the reliefs originally provided in PMK-28 through 31 December 2021.*

## Facilities provided under PP-29

The following tax facilities provided under PP-29 (please refer to [Tax Alert June 2020](#)) and previously extended by PMK-143 through 31 December 2020 are further extended through 30 June 2021:

- Additional deduction for taxpayers producing certain medical equipment and/or household health supplies;
- Additional deduction for donations to certain institutions;
- Final 0% income tax rate on additional income of qualifying healthcare workers; and
- Final 0% income tax rate on compensation for the use of assets to support health services.

*Tax facilities originally provided under PP-29 are further extended through 30 June 2021.*

## Updated implementing regulation for tax holiday facility

Following the issuance of MoF Regulation Number 130/PMK.010/2020 (PMK-130) in September 2020 (please refer to [Tax Info November 2020](#)), the Indonesia Coordinating Investment Board (*Badan Koordinasi Penanaman Modal* (BKPM)) issued Regulation Number 7 of 2020 (PER BKPM-7) on 3 December 2020. PER BKPM-7, which came into effect from 4 December 2020, revokes BKPM Regulation Number 1 of 2019 (PER BKPM-1), which was lastly amended by BKPM Regulation Number 8 of 2019. PER BKPM-7 serves as an implementing regulation to PMK-130.

Below are some major points discussed in PER BKPM-7:

- Compared to PER BKPM-1, the number of Indonesian Standard Industrial Classifications (*Klasifikasi Baku Lapangan Usaha* (KBLI)) eligible for the tax holiday facility under PER BKPM-7 increases from 174 KBLIs to 185 KBLIs. Several KBLIs related to the following industries are added to the list: organic basic chemical industries originating from petroleum (*minyak bumi*), natural gas, dan/ or coal without or together with the integrated derivatives, pharmaceutical main raw material industries without or together with the integrated derivatives, manufacturing industries of motor vehicles and main components of motor vehicles, and processing industries based on agricultural, plantation or forestry products that produce pulp without or with the derivatives.
- Unlike PER BKPM-1, PER BKPM-7 does not elaborate on the requirements that taxpayers must fulfill to apply for the tax holiday facility. These requirements are discussed in PMK-130.
- PER BKPM-7 rules that for taxpayer applying the tax holiday facility through passing quantitative criteria test, aside from the regular application documentation, the following additional documents have to be attached:
  - Explanation of the flow of production process and product coverage;
  - Projection of financial statement including the income tax that is exempted and the income tax paid after the facility is granted, as well as the VAT payment after the commercial production starts; and
  - Supporting documents for each of the quantitative criteria.
- Under PER BKPM-1, a taxpayer that would like to apply for the tax holiday facility could request an advance confirmation, which served as temporary assurance that the taxpayer is eligible for the facility. PER BKPM-7 has abolished such advance confirmations.
- PER BKPM-7 includes various updated forms that are necessary for the tax holiday application.

*There are 185 KBLIs eligible for the tax holiday facility under PER BKPM-7.*

*Tax holiday application procedures are streamlined and simplified under PMK-130 and PER BKPM-7.*

Due to the streamlining and simplification of the tax holiday application procedures under PMK-130 and PER BKPM-7, the government anticipates that the number of taxpayers taking advantage of this facility will increase.

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## Customs Focus

# New mechanism of Voluntary Declaration and Voluntary Payment upon customs value for import duty calculation

MoF has issued Regulation Number 201 Year 2020 (MoF-201) concerning Voluntary Declaration and Voluntary Payment upon Customs Value for the Calculation of Import Duty. MoF-201 revokes MoF Regulation Number 67 Year 2016 (MoF-67), and will come into force on 14 February 2021.

Importers are required to submit Voluntary Declaration application to declare additional costs after importation, where the cost that was declared in Import Customs Declaration (Pemberitahuan Pabean Impor/PIB) was yet to be determinable. Once the actual costs is determined, the importers shall settle the underpayment by way of Voluntary Payment. In an over-declared situation, MoF-201 allows the importers to apply for restitution.

MoF-201 has also introduced policies regarding Voluntary Payment where importers independently identified an error in the PIB assessment (tariff, quantity, and transaction value). The purpose of Voluntary Declaration and/or Voluntary Payment is to avoid potential customs fines and findings in the event of customs audit.

## Changes in provisions

Item	MoF-67 (Previous Regulation)	MoF-201 (New Regulation)
<i>Object of Voluntary Declaration</i>	Costs that have not been determined in the PIB shall be estimated by the importer by way of Voluntary Declaration. The types of cost are: <ol style="list-style-type: none"> <li>1. Futures price;</li> <li>2. Royalties; and</li> <li>3. Proceeds.</li> </ol> <p>Content of Voluntary Declaration shall comprise of declaration on the imported goods concerned, estimated value, settlement date, and written contract.</p>	In addition to futures price, royalties, and proceeds, MoF-201 has added types of cost which estimation may be determined in Voluntary Declaration, as follows: <ol style="list-style-type: none"> <li>1. Freight cost;</li> <li>2. Insurance cost;</li> <li>3. Assist.</li> </ol> <p>The content of Voluntary Declaration are the same with MoF-67, however such content shall be <b>based on strong evidence and/or measurable data</b>.</p>
<i>Applicants</i>	Parties who are eligible to apply for Voluntary Declaration are importers.	In addition to importers, parties who are eligible to apply for Voluntary Declaration are: <ol style="list-style-type: none"> <li>1. Entrepreneur in Free Trade Zone; and</li> <li>2. Entrepreneur in Bonded Stockpiling Zone.</li> </ol>
<i>Settlement Date</i>	<ol style="list-style-type: none"> <li>1. Future price: no later than <u>45 days</u> from registration date of PIB;</li> <li>2. Royalties and proceeds: no later <u>than 365 days</u> from registration date of PIB.</li> </ol>	<ol style="list-style-type: none"> <li>1. Future price: no later than <u>90 days</u> from registration date of PIB;</li> <li>2. Royalties, proceeds, <b>freight costs, insurance costs</b> and <b>assist</b>: no later than <u>365 days</u> from registration date of PIB.</li> </ol>

Item	MoF-67 (Previous Regulation)	MoF-201 (New Regulation)
<i>Importers' obligation</i>	If there is an underpayment of customs duty, excise and import taxes (PDRI), the importers are required to conduct Voluntary Payment of customs value with maximum period of seven days after settlement date.	<p>MoF-201 has introduced provisions to govern circumstances arising from the re-calculation of customs duty, excise and PDRI:</p> <ol style="list-style-type: none"> <li>1. If there is an underpayment, the importers shall conduct Voluntary Payment of customs value;</li> <li>2. <b>If there is an overpayment, the importers may apply for restitution;</b></li> <li>3. <b>If there are no discrepancies, the importers shall submit a report along with supporting documents.</b></li> </ol> <p>The importers shall fulfill the aforementioned obligation no later than seven days after settlement date.</p>

## New provisions

Item	Description
<i>Voluntary payment mechanism on tariff, quantity, and transaction value</i>	Importers may re-calculate and conduct Voluntary Payment on tariff, quantity, transaction value by self-assessment without utilizing Voluntary Declaration. Self-assessment shall be performed before re-examination and/or customs audit by the Directorate General of Customs and Excise (DGCE).
<i>Parties who are eligible to conduct Voluntary Payment without utilizing Voluntary Declaration on quantity and transaction value</i>	Voluntary Payment on quantity and transaction value shall be conducted by importers who: <ol style="list-style-type: none"> <li>1. Are low-risk producer companies;</li> <li>2. Hold status as Main Customs Partner (<i>Mitra Utama Kepabeanan</i>/MITA) or Authorized Economic Operator (<i>Operator Ekonomi Bersertifikat</i>/AEO);</li> <li>3. Obtained exemption and restitution of the Import Facility for Export Purpose (KITE); and/or</li> <li>4. Independent Bonded Zone Entrepreneurs.</li> </ol>
<i>Provisions for conducting Voluntary Payment on transaction value</i>	In the case where the importers perform self-assessment and discover discrepancies of import duty and/or PDRI due to error in the declaration of transaction value in the PIB, the importers may conduct Voluntary Payment, subject to the following conditions: <ol style="list-style-type: none"> <li>1. Discrepancies are due to error (typo) in PIB;</li> <li>2. Transaction value are based on the imported goods concerned;</li> <li>3. Voluntary Payment shall be conducted before re-examination and/or customs audit by DGCE.</li> </ol>

Importers should anticipate and re-calculate the tariff, quantity, and transaction value that may have caused underpayment of customs duty and PDRI. Subsequently, importers shall conduct Voluntary Payment in order to minimize further risk before re-examination or customs audit that will be performed by DGCE. Our team could assist the importers in identifying potential risks and examine the PIB along with its customs compliances.

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